GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:421
ANSWERED ON:22.08.2003
LOANS TO POOR
MOHAN RAWALE;SHIBU SOREN

Will the Minister of FINANCE be pleased to state:

(a) the specific guidelines/policy formulated by the RBI for providing loans to poor, unemployed youths, labourers, under-privileged, small and marginal farmers, SC/STs and minorities through banks and financial institutions;

(b) whether the Government propose to review and simplify its policy in respect of providing loans to the above mentioned sections of the society including recovery thereof;

(c) if so, the details thereof; and

(d) the time by when it is likely to be done?

Answer

MINISTER OF FINANCE (SHRI JASWANT SINGH)

(a): A Statement is placed on the Table of the House.

(b), (c) and (d): Review and simplification of these policies/guidelines is an ongoing process.

STATEMENT REFERRED TO IN REPLY TO PART (a) OF THE LOK SABHA STARRED QUESTION NO.421 FOR ANSWE 22.8.2003 REGARDING LOANS TO POOR.

(a): Governrnent of India formulates guidelines/policies of various Government sponsored schemes for providing loans to poor, under-privileged, small and marginal farmers, dalits, tribes and minorities. On the basis of these guidelines, instructions are issued by Reserve Bank of India to the banks for successful implementation of these schemes.

Within the priority sector target of 40% of net bank credit prescribed for banks, there is a sub-target of 10% for lending to weaker sections, which include small and marginal fanners, scheduled castes/tribes.

The salient features of the instructions issued by the RBI relating to the following schemes are enclosed in Annexures I -V:

1. Swarnajayanti Gram Swarozgar Yojana (SGSY)
2. Swarnajayanti Shahari Gram Swarozgar Yojana (SJSRY)
3. Scherne for Liberation and Rehabilitation of Scavengers (SLRS)
4. Differential Rate of Interest (DRI) scheme
5. Prime Minister`s Rojgar Yojana.(PMRY)

Annexure-I

Salient features of the instructions by RBI relating to Swarnajayanti Gram Swarozgar Yojana (SJSRY)

Swarnjayanti Gram Swarozgar Yojana (SGSY) has replaced IRDP and its allied Schemes viz. Training of Rural Youth for self Employment (TRYSEM), Development of Women and Children in Rural Areas (DWCRA), Supply of unproved Tool kits to Rural Artisans (SITRA), Ganga Kalyan Yojana (GKY) and Million Wells Scheme (MWS) with effect from 1st April, 1999. The Scheme aims at establishing a large number of micro enterprises in the rural areas of the Country. The objective of the scheme is to bring every assisted (Swarojgaries) family above poverty line in three years by providing them income-generating assets through a mix of bank credit and Government subsidy. The monthly income from the activity to be undertaken should not be less than Rs. 2000/- net of repayment to the bank at least in the third year. SGSY is a holistic programme covering all aspects of self employment such as organization of poor into self help groups through the process of social mobilization, training and capacity building, credit, technology, infrastructure, marketing and income generating assets. The scheme envisages funding on 75:25 basis by Centre and States and implemented by DRDAs through panchayat samitis. There is no ceiling on the size of the loan arnount. Group activities are given preference and 4-5 key activities are given major assistance. The salient features of the SGSY scheme are as under:

Eligibility : Rural poor such as the landless labour, small and marginal farmers, those with marginal land, rural artisans and educated un-employed enlisted in the Below Poverty Line (BPL) list upto an age limit of 60 years.

Reservation : 50% for SC/ST, 40% for women and 3% for handicapped. 50% of SHGs in a block should be for women.

Activities : Identified key/cluster activities with emphasis on group activities. Self Help Group(SHG) membership within a range of 10-20; for minor irrigation minimum of 5 members. In identified difficult areas deserts, hills and areas with scattered and sparse population relaxation with regard to number of members in SHG, or members marginally above poverty line etc. are allowed.

Project cost : No ceiling. SHGs tha.t are in existence for about six months and have demonstrated the potential of a viable group enters the third stage, wherein it receives the Revolving Fund from DRDA and banks as cash credit facility. DRDAs may release subsidy, which is equal to the group COrpus with a minimum of Rs. 5000/- and a maximum of Rs. 10000/- linked with bank credit. The banks would sanction credit, which would be in multiples of the group corpus and could go upto four times of the group corpus as cash credit facility based on the absorption capacity and creditworthiness of the group.

Subsidy: Back end subsidy, General-30% of the project cost Maximum Rs.7500/-, SC/ST-50% of the project cost-maximum Rs.10000/-, Group-50% of the project cost subject or Rs. 1.25 lakh whichever is less & irrigation-30% or 50% as the case may be without monetary ceiling.

Security : Assets created out of bank loan in respect of individual loan upto Rs. 50000/- and Group loan upto Rs. 5 lakh. Mortgage of land, if assets are not created as in the case of land based activities or third party guarantee. For individual loans above Rs.50000/- and group loans above Rs. 5 lakh, in addition to primary security, suitable margin money/other collateral security may be obtained at banks` discretion.

Repayment : Minimum 5 years, instalments as per approved unit cost of NABARD/Dist. SGSY committee Subsidy admissible only after completion of lock in period.

Recovery : Personal contacts, joint recovery camps, legal action etc failing which forfeiture of subsidy for adjustment of dues. NGOs may be used as facilitators for recovery and 0.5% of the loan amount may be charged to the swarojgaris to meet this expenditure. Prompt repayment entitles waiver of this monitoring fee.

Refinance : Banks are eligible for refinance from. NABARD for loans disbursed under SGSY.

Annexure-ll

Salient features of the instructios by RBI relating to Swarna Jayanti Shahari Rozgar Yojana (SJSRY)

The SJSRY Scheme is in operation from 1.12.1997 in all Urban and semi Urban areas of India. Among other components, the scheme has two sub-Schemes where bank credit is involved namely Urban Self Employment Programme (USEP) and Development of Women & Children in Urban Areas (DWCUA). The scheme is funded on a 75:25 basis between the Centre and the State. The salient features of the scheJrne are as under:

Coverage : The beneficiaries are identified by the Urban local bodies on the basis of house-to-house survey.

Reservation : Under the scheme, women are to be assisted to the extent of not less than 30%, disabled at 3% and SC/STs atleast to the extent of proportion of their strength in the local population.

Income criteria : Under USEP, underemployed and unemployed urban youth whose annual family income is below the poverty line. The persons educated upto ninth standard `who have been included in ULB list are assisted with bank loans.

Project cost : Projects costing upto Rs. 50,000/- are to be financed by banks.

Subsidy : Subsidy is provided by Government at 15% of the project cost subject to a maximum of Rs. 7,500/-

Margin money : The borrower has to bring in 5% of project cost as margin money.

Interest rate : Interest will be charged as per directives issued by RBI from time to time.

Group activities: Under DWCUA, women beneficiaries may take up self employrnent ventures in group. DWCUA groups should consist of at least 10 urban poor Women. The group is entitled to a subsidy of Rs. 1,25,000/- or 50% of the project cost whichever is less. In addition the group may set itself up as a thrift and credit society.

Repayment : The repayment schedule may range benveen 3 to 7 years after initial moratorium of 6 to 18 months as decided by the banks.

Annexure-lll

Salient features of the instructions by RBI relating to Scheme of Liberation & Rehabilitation of Scavengers (SLRS)

The Scheme was introduced in 1993 and is implemented by all Public Sector Banks except RRBs. The objeetive of the scheme is to liberate and rehabilitate scavengers and their dependants from the existing obnoxious occupation of manually removing night soil and

filth and to provide them with alternate dignified occupation.

Coverage : The Scheme covers all scavengers and their dependents (both the scheduled caste scavengers andnon-scheduled caste scavengers) in the country.

Loan amount : Under the scheme projects upto Rs. 50,000/- can be financed.

Subsidy : Subsidy is available to borrowers at 50% of project cost subject to a maximum of Rs. 10,000/-

Margin assistance: The borrowers can also avail margin assistance at 15% of the project cost at 4% rate of interestfrom State Scheduled Castes Development Corporation.

Interest Rates : All loans upto Rs. 6,500/- will be treated as DRI loan at concessional rate of 4%. However, wherethe amount of loan exceeds Rs. 6500/- the entire loan will carry interest as per RBI directive on interest rates.

Security : Security for the loan will be only hypothecation of assets created out of the loan. The StateScheduled Caste Development Corporation will have second charge/pari-passu charge over assets to cover their margin money loan assistance.

Repayment : The loans shall be repaid within 3 to 7 years after moratorium of 6 to 18 months as decided by the banks.

Annexure-IV

Salient features of the instructions by RBI relating to Differential Rate of Interest (DRI) Scheme

The scheme was introduced in 1972 and is being implemented by all Indian Scheduled Commercial Banks. To providebank finance at a concessional rate of interest of 4% p.a. to the weaker sections of society for engaging in productive and gainful activities so that they can improve their economic conditions. The land holding criterionis not applicable to SC/STs. The important categories of borrowers under the scheme are SC/STs and others engagedon a very modest scale in agriculture and/or allied activities, persons who themselves collect or do elementary processing of forest produces, people physically engaged on a Modest scale in cottage or rural industries, indigent students of merit. etc. The banks are required to lend under the scheme, at least 1% of their aggregate advances as at the end of the previous year. 2/3rd of the total DRI advances must be routed through the bank`s ruraland semi urban branches. The salient features of the scheme are as under:

Area of operation : The scheme is being imp[lemented throughout the country.

Income criteria : The income ceiling for eligibility is annual income of Rs. 7200/- per family in urbanor semi urban areas and Rs. 6400/- per family in rural areas. Size of land holding must not exceed one acre of irrigated land and 2.5 acres of unirrigated land.

Loan amount : The maximum assistance per beneficiary has been fixed at Rs. 6,500/- for productive purposes.In addition to this, physically handicapped persons can avail of assistance to the extent of Rs. 5000/(maximum) per beneficiary for acquiring aids, appliances, equipment, provided they are eligible for assistance under the scheme. Similarly, members of SC/STs satisfying the income criteria of the scheme can also avail of housing loan up to Rs. 5000/- per beneficiary over and above the loan of Rs. 6500/- available under the scheme.

Margin money : No margin money has been prescribed under the scheme.

Capital subsidy/Interest : No capital subsidy is available.

Rate of Interest : Rate of interest to be charged on loans is 4% p.a. Interest on current due is not to be compounded.

Security : No collateral security/third party guarantee is required. Assets created out of the loan amountwould only be hypothecated to the banks.

Repayment : Not exceeding five years including grace period of two years.

Reservation/Preference : The banks are required to ensure that at least 40% of their DRI advances flow to SC/STs.

ANNEXURE-V

Salient features of the instructions by RBI relating to Prim Minister`s Rozgar Yojana (PMRY)

Government of India have launched a subsidy linked scheme on 2.10.1993 viz. the Prilne Minister`s Rojgar Yojana (PMRY)for creating self ernployment opportunities for the educated unemployed youth including graduates, by setting up micro enterprises in business, industry and service sector. The objective of the scheme is to provide self-employment opportunities to educated unemployed youth. The scheme initially was in operation in Urban Areas. From 1.04.1994 thescherne is being implemented throughout the country. The salient features of the scheme are:

Age : The unemployed youth in the age group of 18 to 35 years are eligible under the scheme. In North Eastern Statesthe age group is 18-40. There is 10 year relaxation for SC/ST Ex-servicemen/physically handicapped & ,vwomen, in the upper age limit to be eligible for assistance under the Scheme.

Income Limit : The family income of the beneficiaries should not exceed Rs. 40,000/- per annum and income ofparents of beneficiary also should not exceed Rs. 40,000/-

Residence : Permanent resident of the area for atleast 3 years. In case of married women the residency criteria applies to her husband or in-laws.

Educational Qualification : The minimum educational qualification is VIIIth passed.

Margin Money : The beneficiary would be required to bring in 5% as margin money and government would providea subsidy at 15% of the project cost; The margin money and subsidy amount would be 20% of the projeet cost. Ceiling on subsidy amount is Rs. 7,500/- in States/UTs. In the North Eastern States, Himachal Pradesh and Uttaranchal ceiling on subsidy amount payable is Rs. 15,000/-.

Subsidy : @ 15%, Maximum subsidy increased from Rs. 7500/- to Rs. 15000/- Hence the margin to be brought in by the borrower will vary from 5% to 16.25% of the projelct cost.

Activities covered : All economically viable activities including agricultural and allied activities but excluding direct agricultural operations like raising of crops/purchase of manure etc. are being covered under the scheme.

Project finance : Projects upto Rs. 1 lakh in business Sector and up to Rs. 2 lakhs in other sectors are eligiblefor finance by banks. In case of partnership firm projects upto Rs. 10 lakhs can be undertaken and the actual loan amount is to the extent of individual admissibility.

Reservation : A reservation of 22.5% for SC/STs and 27% for other backward classes (OBCs) has been provided.Preference is to be given to women and other weaker sections. Banks have also been advised to ensure a fair and adequate share to the minorities.

Security : No third party guarantee/collateral is necessary for projects up to Rs. 1 lakh and the advances under the scheme are treated as advances under priority sector. For industry sector, project up to Rs. 2 lakhs (loan ceiling under PMRY) are eligible for exemption of collateral security. For partnership project, industry sector exemption limit of collateral security will be Rs. 5 lakh per borrowal account in tiny sector.